

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                                 |  |                            |
|---|---------------------------------|--|----------------------------|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |                                 | Local Government Name<br><b>City of Marquette Peter White Public Library</b> | County<br><b>Marquette</b> |
| Audit Date<br><b>6/30/05</b>  | Opinion Date<br><b>11/18/05</b> | Date Accountant Report Submitted to State:<br><b>12/23/05</b>                |                            |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

|  |  |                          |                         |
|--|--|--------------------------|-------------------------|
| Certified Public Accountant (Firm Name)<br><b>Anderson, Tackman &amp; Company, PLC</b> |  |                          |                         |
| Street Address<br><b>102 W. Washington, Suite 109</b>                                  |  | City<br><b>Marquette</b> | State<br><b>MI</b>      |
| Accountant Signature<br><i>Rebecca Hiles CPA</i>                                       |  | ZIP<br><b>49855</b>      | Date<br><i>12/22/05</i> |

**CITY OF MARQUETTE, MICHIGAN  
PETER WHITE PUBLIC LIBRARY**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2005**

## TABLE OF CONTENTS

|   |            |
|---|------------|
| <b>Independent Auditor's Report.....</b>                                      | <b>3-4</b> |
| <b>Management's Discussion and Analysis .....</b>                             | <b>5-9</b> |
| <b>Basic Financial Statements:</b>  |            |
| Government-wide Financial Statements:   |            |
| Statement of Net Assets .....   | 10         |
| Statement of Activities .....   | 11         |
| Fund Financial Statements:  |            |
| Governmental Funds:   |            |
| Balance Sheet .....   | 12         |
| Reconciliation of the Governmental Funds Balance Sheet to the                 |            |
| Statement of Net Assets .....   | 13         |
| Statement of Revenues, Expenditures and Changes in Fund Balance .....         | 14         |
| Reconciliation of the Governmental Funds Statement of Revenues,               |            |
| Expenditures and Changes in Fund Balance to the Statement of Activities ..... | 15         |
| Notes to Financial Statements.....  | 16-23      |
| <b>Required Supplemental Information:</b>                                     |            |
| General Fund – Schedule of Revenues, Expenditures and Changes in              |            |
| Fund Balance – Budget and Actual .....  | 25         |
| Carroll Paul Memorial Trust Fund – Schedule of Revenues, Expenditures and     |            |
| Changes in Fund Balance – Budget and Actual .....                             | 26         |
| <b>Other Supplemental Information:</b>  |            |
| 1997 Library Improvement Debt Service Fund:                                   |            |
| Schedule of Revenues, Expenditures and Changes in                             |            |
| Fund Balance – Budget and Actual.....   | 28         |
| 1998 Building Authority Debt Service Fund:                                    |            |
| Schedule of Revenues, Expenditures and Changes in                             |            |
| Fund Balance – Budget and Actual.....   | 29         |
| <b>Compliance Section:</b>  |            |
| Report on Compliance and Other Matters and on Internal Control Over Financial |            |
| Reporting Based on an Audit of Financial Statements Performed in Accordance   |            |
| with <i>Government Auditing Standards</i> .....                               | 31         |



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MILWAUKEE

## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Trustees  
of Peter White Public Library  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of the Peter White Public Library, as of and for the year ended June 30, 2005, which collectively comprise the Peter White Public Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Peter White Public Library as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005 on our consideration of Peter White Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 5-9 and 25-26, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Members of the Board of Trustees  
of Peter White Public Library  
Marquette, Michigan 49855

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Peter White Public Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

November 18, 2005

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Peter White Public Library's financial performance provides an overview of the Library's financial activities for the year ended June 30, 2005. Please read it in conjunction with the financial statements, which begin on page 10.

### FINANCIAL HIGHLIGHTS

- Net assets for the Library as a whole were reported at \$4,335,553. Net assets are comprised of 100% governmental activities.
- During the year, the Library expenses were \$2,009,059, while revenues from all sources totaled \$1,666,070, resulting in a decrease in net assets of (\$342,989).
- The general fund reported a net change in fund balance of (\$1,010). This is \$1,010 lower than the forecast of no change in fund balance. This was mainly a result of revenues being lower than forecasted.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Library as a whole and present a longer-term view of the Library finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Library operations in more detail than the government-wide statements by providing information about the Library most significant funds.

### Reporting the Library as a Whole

One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Library's *net assets* and changes in them. You can think of the Library's net assets - the difference between assets and liabilities - as one way to measure the Library's financial health, or *financial position*. Over time, *increases or decreases* in the Library's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Library's patron base and the condition of the Library's capital assets, to assess the *overall financial health* of the Library.

In the Statement of Net Assets and the Statement of Activities, we report all of the Library's activities as governmental activities. Governmental activities include the Library's basic services such as cultural services and general administration. Property taxes and other local sources fund most of these activities.

## Reporting the Library's Most Significant Funds

The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Library as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Library Board has established other funds to help it control and manage money for particular purposes. The Library's funds are all governmental type funds which use the following accounting methods.

- *Governmental funds* – All of the Library's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Library's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

## The Library as a Whole

Table I provides a summary of the Library's net assets as of June 30, 2005.

| Table 1<br>Net Assets                           |                   |                         |              |
|---|-------------------|-------------------------|--------------|
|   |                   | Governmental Activities |              |
|   |                   | 2005                    | 2004         |
| Current and other assets                        |                   | \$2,679,104             | \$2,851,435  |
| Capital assets, net                             |                   | 7,020,414               | 7,531,354    |
|   | Total Assets      | 9,699,518               | 10,382,789   |
| Current liabilities                             |                   | 1,492,561               | 1,433,360    |
| Noncurrent liabilities                          |                   | 3,871,404               | 4,270,887    |
|   | Total Liabilities | 5,363,965               | 5,704,247    |
| Net Assets:                                     |                   |                         |              |
| Invested in capital assets, net of related debt |                   | 2,825,414               | 2,951,354    |
| Restricted                                      |                   | 1,203,063               | 1,408,585    |
| Unrestricted (deficit)                          |                   | 307,076                 | 318,603      |
|   | Total Net Assets  | \$ 4,335,553            | \$ 4,678,542 |

Net assets of the Library's governmental activities stood at \$4,335,553. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$307,076.

The \$307,076 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Library as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005.

**Table 2**  
**Changes in Net Assets**

|                                    |  | Governmental Activities |                     |
|------------------------------------|--|-------------------------|---------------------|
|                                    |  | 2005                    | 2004                |
| <b>Revenues</b>                    |  |                         |                     |
| Program revenues:                  |  |                         |                     |
| Charges for services               |  | \$ 206,374              | \$ 222,011          |
| Operating grants and contributions |  | 373,650                 | 455,213             |
| Capital grants and contributions   |  | -                       | -                   |
| General revenues:                  |  |                         |                     |
| Property taxes                     |  | 994,253                 | 957,892             |
| Investment earnings                |  | 86,154                  | 86,031              |
| Miscellaneous                      |  | 5,639                   | 2,938               |
| Total Revenues                     |  | <u>1,666,070</u>        | <u>1,724,085</u>    |
| Program Expenses:                  |  |                         |                     |
| Recreation and cultures            |  | 1,776,905               | 1,731,920           |
| Interest on long-term debt         |  | 232,154                 | 256,917             |
| Total Expenses                     |  | <u>2,009,059</u>        | <u>1,988,837</u>    |
| Increase (decrease) in net assets  |  | (342,989)               | (264,752)           |
| Net assets, beginning              |  | 4,678,542               | 4,943,294           |
| Net Assets, Ending                 |  | <u>\$ 4,335,553</u>     | <u>\$ 4,678,542</u> |

The Library's total revenues were \$1,666,070. The total cost of all programs and services was \$2,009,059, leaving a decrease in net assets of (\$342,989). This decrease was a result of depreciation expense charged to the net assets for the Library as a whole.

Table 3 presents the cost of the Library's largest activity – Recreation and Culture, as well as the program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that the program placed on the Library's operation.

**Table 3**  
**Governmental Activities**

|                        | Total Cost<br>of Services | Net Cost<br>of Services |
|------------------------|---------------------------|-------------------------|
| Recreation and Culture | <u>\$ 1,776,905</u>       | <u>\$1,196,881</u>      |

## THE LIBRARY'S FUNDS

As the Library completed the year, its governmental funds reported a combined fund balance of \$1,596,543, a decrease of (\$206,532) from the beginning of the year. The majority of this decrease was due to the payment of debt service requirements from accumulated resources instead of through new funding sources.



## General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees of the Peter White Public Library revised the budget several times in response to changes in potential revenues on a City, County and State level. The final budget reflected a decrease in revenues received from Marquette County Penal Fines and State of Michigan Library Aid. Revenues budgeted from the City of Marquette and the Townships exceeded expectations. A successful Century Club fund raising campaign for the Library's endowment fund at the Marquette Community Foundation and for library materials increased revenues received from private donations by almost \$20,000.

The retirement of several employees during the fiscal year resulted in staff vacancies that were not filled. This reduced the Library's salaries and benefits, but has left holes in staffing that must be covered by existing staff members. A goal of the Library administration is to replace these positions once funding becomes available.

Library usage remained at record levels during the fiscal year. Attendance increased by 2.4% and resulted in increased expenditures for operating and building maintenance supplies. Capital expenditures for building improvements also affected the budget for the year.

The Board of Trustees used funds from a bequest received in 2003 to make improvements to the Dandelion Cottage Room and Youth Services Area as well as to support the Peter White Public Library Endowment Fund at the Marquette Community Foundation. These funds were transferred from the Library's General Trust Fund to the operating budget for these activities.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2005, the Library had \$7,020,414 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(net of depreciation)**

|                            | Governmental Activities |                     |
|----------------------------|-------------------------|---------------------|
|                            | 2005                    | 2004                |
| Land                       | \$114,704               | \$114,704           |
| Buildings and improvements | 6,446,506               | 6,880,875           |
| Equipment and furnishings  | 459,204                 | 535,775             |
| Totals                     | <u>\$ 7,020,414</u>     | <u>\$ 7,531,354</u> |

## Debt

At year-end, the Library had \$4,195,000 in bonds outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

|                                | Governmental Activities |                     |
|--------------------------------|-------------------------|---------------------|
|                                | 2005                    | 2004                |
| 1997 Library Improvement Bonds | \$ 3,510,000            | \$ 3,690,000        |
| 1998 Building Authority Bonds  | 685,000                 | 890,000             |
| Totals                         | <u>\$ 4,195,000</u>     | <u>\$ 4,580,000</u> |

There were no new additions to debt for this year and further details on long-term debt can be found in Note D.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Library's appointed officials consider many factors when setting the fiscal year 2006 budget. One of those factors is the economy. The Peter White Public Library realizes that the State of Michigan is still undergoing financial problems, and that these problems will result in continued uncertainty at the City, Township, County and State levels. Voter approved millages in the City of Marquette and five Townships protect the Library from some of these uncertainties, but a majority of these millages are up for renewal in 2006. Another consideration for the Board is the volatility of State Aid and Marquette County Penal Fines from year to year. The Library does not have control over the payment of these revenues, and these payments have varied greatly during the past five years.

The Library Board has established a goal of spending at least 10% of the operating budget for materials. This has forced Library staff to be more innovative in fund raising. Staff efforts for fund raising will benefit the Library in years to come. Library users have, thus far, been willing to donate funds to purchase materials and support other Library activities. The Library Board should establish an annual fund raising goal and work with staff to develop a proactive fund raising plan each year.

The Library administration and staff will need to continue to diligently watch the revenues and expenditures on a monthly basis to assure that income and spending are balanced. The Library team has proven to be responsible in the use of Library assets, but these efforts must continue. The Library must also develop plans to raise additional funds to cover a shortfall in anticipated revenues to pay off the \$2.0 million Building Authority Bonds in 2008. A decrease in interest income and unexpected costs for final building project change orders may result in reduced funds to meet these obligations. The Board will be developing a plan to raise these funds during 2006.

## CONTACTING THE LIBRARY FINANCIAL MANAGEMENT

This financial report is designated to provide our customers, investors and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Director at Peter White Public Library, 217 North Front Street, Marquette, Michigan, 49855.

**City of Marquette, Michigan  
Peter White Public Library**

**STATEMENT OF NET ASSETS**

June 30, 2005

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Current assets:                                 |                                    |
| Cash and cash equivalents                       | \$ 386,123                         |
| Investments                                     | 1,209,239                          |
| Taxes receivable, net                           | 1,063,789                          |
| Accounts receivable, net                        | -                                  |
| Prepaid expenses                                | 19,953                             |
|   | <hr/>                              |
| <b>TOTAL CURRENT ASSETS</b>                     | <b>2,679,104</b>                   |
|   | <hr/>                              |
| Noncurrent assets:                              |                                    |
| Land  | 114,704                            |
| Other capital assets                            | 11,080,564                         |
| Accumulated depreciation                        | (4,174,854)                        |
|   | <hr/>                              |
| <b>TOTAL NONCURRENT ASSETS</b>                  | <b>7,020,414</b>                   |
|   | <hr/>                              |
| <b>TOTAL ASSETS</b>                             | <b>9,699,518</b>                   |
|   | <hr/>                              |
| <b>LIABILITIES:</b>                             |                                    |
| Current liabilities:                            |                                    |
| Accounts payable                                | 26,500                             |
| Unearned revenue                                | 1,056,061                          |
| Bonds payable - due in one year                 | 410,000                            |
|   | <hr/>                              |
| <b>TOTAL CURRENT LIABILITIES</b>                | <b>1,492,561</b>                   |
|   | <hr/>                              |
| Noncurrent liabilities:                         |                                    |
| Bonds payable - due in more than one year       | 3,785,000                          |
| Compensated absences                            | 86,404                             |
|   | <hr/>                              |
| <b>TOTAL NONCURRENT LIABILITIES</b>             | <b>3,871,404</b>                   |
|   | <hr/>                              |
| <b>TOTAL LIABILITIES</b>                        | <b>5,363,965</b>                   |
|   | <hr/>                              |
| <b>NET ASSETS:</b>                              |                                    |
| Invested in capital assets, net of related debt | 2,825,414                          |
| Restricted:                                     |                                    |
| Retirement of debt                              | 439,088                            |
| Endowments                                      | 763,975                            |
| Unrestricted                                    | 307,076                            |
|   | <hr/>                              |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 4,335,553</b>                |
|   | <hr/>                              |

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan  
Peter White Public Library**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2005

| <u>Function / Programs</u>           | <u>Expenses</u>     | <u>Program Revenue</u>           |   | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Assets</u> |
|--------------------------------------|---------------------|----------------------------------|---|--|
|                                      |                     | <u>Charges for<br/>Services</u>  | <u>Operating<br/>Grants and<br/>Contributions</u> |  |
| <b>Governmental Activities:</b>      |                     |                                  |   |  |
| Recreation and culture               | \$ 1,776,905        | \$ 206,374                       | \$ 373,650  | \$ (1,196,881)   |
| Interest on long-term debt           | <u>232,154</u>      | <u>-</u>                         | <u>-</u>  | <u>(232,154)</u>   |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b> | <u>\$ 2,009,059</u> | <u>\$ 206,374</u>                | <u>\$ 373,650</u>                                 | <u>(1,429,035)</u>   |
| <br>                                 |                     |                                  |   |  |
|                                      |                     | <b>General revenues:</b>         |   |  |
|                                      |                     | Property taxes                   |   | 994,253  |
|                                      |                     | Interest and investment earnings |   | 86,154   |
|                                      |                     | Miscellaneous                    |   | <u>5,639</u>   |
|                                      |                     |                                  |   | <u>1,086,046</u>   |
|                                      |                     |                                  |   | (342,989)  |
|                                      |                     | Net assets, beginning of year    |   | <u>4,678,542</u>   |
|                                      |                     |                                  |   | <u>\$ 4,335,553</u>  |

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan  
Peter White Public Library**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

June 30, 2005

|   | <b>General<br/>Fund</b> | <b>Carroll Paul<br/>Memorial<br/>Trust Fund</b> | <b>1997 Library<br/>Improvement<br/>Debt Fund</b> | <b>1998 Building<br/>Authority<br/>Debt Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|---|---|--|---|
| <b>ASSETS</b>                                 |                         |   |   |  |   |
| Cash and cash equivalents                     | \$ 215,891              | \$ 22,268                                       | \$ 492  | \$ 147,472                                       | \$ 386,123                              |
| Investments                                   | 179,067                 | 741,707   | -   | 288,465  | 1,209,239                               |
| Taxes receivable, net                         | 679,402                 | -   | 384,387   | -  | 1,063,789                               |
| Accounts receivable, net                      | -                       | -   | -   | -  | -                                       |
| Prepaid expenditures                          | 19,953                  | -   | -   | -  | 19,953                                  |
| <b>TOTAL ASSETS</b>                           | <b>\$ 1,094,313</b>     | <b>\$ 763,975</b>                               | <b>\$ 384,879</b>                                 | <b>\$ 435,937</b>                                | <b>\$ 2,679,104</b>                     |
| <b>LIABILITIES AND FUND BALANCE</b>           |                         |   |   |  |   |
| <b>LIABILITIES:</b>                           |                         |   |   |  |   |
| Accounts payable                              | \$ 26,500               | \$ -  | \$ -  | \$ -   | \$ 26,500                               |
| Unearned revenue                              | 674,333                 | -   | 381,728   | -  | 1,056,061                               |
| <b>TOTAL LIABILITIES</b>                      | <b>700,833</b>          | <b>-</b>  | <b>381,728</b>                                    | <b>-</b>   | <b>1,082,561</b>                        |
| <b>FUND BALANCE:</b>                          |                         |   |   |  |   |
| Reserved for:                                 |                         |   |   |  |   |
| Retirement of debt                            | -                       | -   | 3,151   | 435,937  | 439,088                                 |
| Endowments                                    | -                       | 763,975   | -   | -  | 763,975                                 |
| Unreserved, reported in:                      |                         |   |   |  |   |
| General Fund                                  | 393,480                 | -   | -   | -  | 393,480                                 |
| <b>TOTAL FUND BALANCE</b>                     | <b>393,480</b>          | <b>763,975</b>                                  | <b>3,151</b>                                      | <b>435,937</b>                                   | <b>1,596,543</b>                        |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCE</b> | <b>\$ 1,094,313</b>     | <b>\$ 763,975</b>                               | <b>\$ 384,879</b>                                 | <b>\$ 435,937</b>                                | <b>\$ 2,679,104</b>                     |

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan  
Peter White Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2005

|  |    |           |
|--|----|-----------|
| Total Fund Balances for Governmental Funds | \$ | 1,596,543 |
|--|----|-----------|

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Cost of capital assets   | 11,195,268         |           |
| Accumulated depreciation | <u>(4,174,854)</u> |           |
|                          |                    | 7,020,414 |

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the funds:

|                      |                 |             |
|----------------------|-----------------|-------------|
| Bonds payable        | (4,195,000)     |             |
| Compensated absences | <u>(86,404)</u> |             |
|                      |                 | (4,281,404) |

|  |           |                         |
|--|-----------|-------------------------|
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b> | <b>\$</b> | <b><u>4,335,553</u></b> |
|--|-----------|-------------------------|

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan  
Peter White Public Library

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2005

|   | General<br>Fund   | Carroll Paul<br>Memorial<br>Trust Fund | 1997 Library<br>Improvement<br>Debt Fund | 1998 Building<br>Authority<br>Debt Fund | Total<br>Governmental<br>Funds |
|---|-------------------|--|--|---|--------------------------------|
| <b>REVENUES:</b>                                |                   |  |  |   |                                |
| Property taxes                                  | \$ 629,880        | \$ -                                   | \$ 364,373                               | \$ -                                    | \$ 994,253                     |
| State sources                                   | 30,499            | -                                      | -  | -                                       | 30,499                         |
| Local sources                                   | 297,275           | -                                      | -  | -                                       | 297,275                        |
| Charges for services                            | 43,393            | -                                      | -  | -                                       | 43,393                         |
| Fines and forfeiture                            | 135,932           | -                                      | -  | -                                       | 135,932                        |
| Rentals   | 27,049            | -                                      | -  | -                                       | 27,049                         |
| Contributions from private sources              | 42,323            | -                                      | -  | 3,553                                   | 45,876                         |
| Investment income                               | 17,594            | 49,225                                 | -  | 19,335                                  | 86,154                         |
| Other   | 5,639             | -                                      | -  | -                                       | 5,639                          |
| <b>TOTAL REVENUES</b>                           | <b>1,229,584</b>  | <b>49,225</b>                          | <b>364,373</b>                           | <b>22,888</b>                           | <b>1,666,070</b>               |
| <b>EXPENDITURES:</b>                            |                   |  |  |   |                                |
| Recreation and Culture:                         |                   |  |  |   |                                |
| Personnel services                              | 782,209           | -                                      | -  | -                                       | 782,209                        |
| Supplies  | 64,294            | -                                      | -  | -                                       | 64,294                         |
| Musical supplies and services                   | -                 | 2,830                                  | -  | -                                       | 2,830                          |
| Other services and charges                      | 316,276           | 2,239                                  | -  | -                                       | 318,515                        |
| Capital outlay                                  | 87,600            | -                                      | -  | -                                       | 87,600                         |
| Debt service                                    |                   |  |  |   |                                |
| Principal retirement                            | -                 | -                                      | 180,000                                  | 205,000                                 | 385,000                        |
| Interest and fiscal charges                     | -                 | -                                      | 188,001                                  | 44,153                                  | 232,154                        |
| <b>TOTAL EXPENDITURES</b>                       | <b>1,250,379</b>  | <b>5,069</b>                           | <b>368,001</b>                           | <b>249,153</b>                          | <b>1,872,602</b>               |
| <b>NET REVENUES<br/>OVER EXPENDITURES</b>       | <b>(20,795)</b>   | <b>44,156</b>                          | <b>(3,628)</b>                           | <b>(226,265)</b>                        | <b>(206,532)</b>               |
| <b>OTHER FINANCING SOURCE (USES)</b>            |                   |  |  |   |                                |
| Transfers In                                    | 19,785            | -                                      | -  | -                                       | 19,785                         |
| Transfers (Out)                                 | -                 | (19,785)                               | -  | -                                       | (19,785)                       |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b> | <b>19,785</b>     | <b>(19,785)</b>                        | <b>-</b>                                 | <b>-</b>                                | <b>-</b>                       |
| <b>NET CHANGE IN FUND BALANCE</b>               | <b>(1,010)</b>    | <b>24,371</b>                          | <b>(3,628)</b>                           | <b>(226,265)</b>                        | <b>(206,532)</b>               |
| Fund balance, beginning of year                 | 394,490           | 739,604                                | 6,779                                    | 662,202                                 | 1,803,075                      |
| <b>FUND BALANCE, END OF YEAR</b>                | <b>\$ 393,480</b> | <b>\$ 763,975</b>                      | <b>\$ 3,151</b>                          | <b>\$ 435,937</b>                       | <b>\$ 1,596,543</b>            |

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan  
Peter White Public Library**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2005

|  |    |           |
|--|----|-----------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (206,532) |
|--|----|-----------|

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

|                      |    |                  |           |
|----------------------|----|------------------|-----------|
| Capital outlays      | \$ | -                |           |
| Depreciation expense |    | <u>(510,940)</u> |           |
|                      |    |                  | (510,940) |

|  |  |         |
|--|--|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. |  | 385,000 |
|--|--|---------|

|  |  |          |
|--|--|----------|
| Some expenses such as accrued sick and vacation expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. |  | (10,517) |
|--|--|----------|

|  |           |                         |
|--|-----------|-------------------------|
| <b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b> | <b>\$</b> | <b><u>(342,989)</u></b> |
|--|-----------|-------------------------|

The accompanying notes are an integral part of these financial statements.



**CITY OF MARQUETTE, MICHIGAN  
PETER WHITE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Peter White Public Library (the "Library") conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

**(A) DESCRIPTION**

The Library is a discretely presented component unit of the City of Marquette and was created under Local Acts of 1891, Section No. 254. The Library's governing body consists of five trustees appointed by the City of Marquette's Mayor with the confirmation of the City Commission.

**(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds). The government-wide financial statements (i.e. the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

**(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Library receives the cash.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first. Unrestricted resources are used as they are needed.

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Library reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

**Carroll Paul Memorial Trust Fund** – The Carroll Paul Memorial Trust fund is a special revenue fund of the Library. It is used to account for the trust arrangement that supports the musical programs of the Library.

**1997 Library Improvement Debt Service Fund and 1998 Building Authority Debt Service Fund** – The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

### Property Taxes

City of Marquette property taxes attach as an enforceable lien on property as of January 1. Taxes are levied no later than the third Monday in May and payable on July 1. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60 day period following the fiscal year-end. Accordingly, deferred revenue is being recognized for such amounts.

### Capital Assets

Capital assets, which include property, plant and equipment, are reported within the governmental activities in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on the government-wide statement of net assets. The straight-line depreciation method is applied over the estimated useful life of capital assets. The range of estimated useful lives by type of asset is as follows:

|                            |             |
|----------------------------|-------------|
| Buildings and improvements | 25-40 years |
| Equipment and furnishings  | 5-15 years  |

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### Long-Term Liabilities

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net assets. In the governmental funds financial statements, long-term debt is not reported as liabilities. The debt proceeds are reported as other financing sources and the payment of principal and interest is reported as expenditures. The Library's debt consists primarily of bonds that are the general obligation of the Library and is backed by the City of Marquette's full faith and credit.

### Budgets and Budgetary Accounting

The City of Marquette follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the third Monday in April, the City Manager submits to the City Commission a proposed operating budget, approved by the Library's Board of Trustees for the ensuing fiscal year commencing July 1 in accordance with Section 8.2 of the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than the first Monday in May, the budget is adopted by the City Commission in accordance with the provisions of Section 8.6 of the City Charter.
4. The City Commission adopts the budget by functional categories as presented in the Combined Statements. Any transfers of appropriations between functions must be approved by the City Commission. All unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the General fund, all Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Informational budget summaries only are adopted for the Enterprise and Internal Service Funds. Such funds are not covered under the State of Michigan's Public Act 621 nor the City of Marquette's General Appropriations Act.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

7. The legally adopted budgets for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds and the informational summaries for the Enterprise and Internal Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

### Interfund Activity

The effect of interfund activity has been eliminated from the government-wide statements. In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded in the fund financial statements.

### Cash Equivalents

For purposes of balance sheet classification, the Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

## NOTE B - DEPOSITS AND INVESTMENTS:

### Cash Equivalents

As of June 30, 2005, the Library's cash and cash equivalents and investments were reported in the Government-wide Statement of Net Assets as follows:

|                      |                    |
|----------------------|--------------------|
| Cash and equivalents | \$ 386,123         |
| Investments          | <u>1,209,239</u>   |
|                      | <u>\$1,595,362</u> |

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State law does not require and the Library does not have a deposit policy for custodial credit risk. As of June 30, 2005, the carrying amount of the Library's deposits with financial institutions was \$386,123 and the bank balance was \$386,123. The bank balance is insured by the FDIC or uncollateralized with securities held by the Library in its name to the extent of the City of Marquette's pooled cash categorization.

### Investments

As of June 30, 2005, the Library had the following investments.

| Investment Type          | Fair Value         | Investment Maturities (In years) |                  |            |              |
|--------------------------|--------------------|----------------------------------|------------------|------------|--------------|
|                          |                    | Less than 1                      | 1-5              | 6-10       | More than 10 |
| U.S. Government Agencies | \$327,266          | \$64,844                         | \$287,297        | \$-        | \$-          |
| U.S. Treasury Notes      | 26,043             | -                                | 26,043           | -          | -            |
| Mutual Bond Funds        | 397,039            | 308,275                          | 88,764           | -          | -            |
| Mutual Equity Funds      | 458,891            | 458,891                          | -                | -          | -            |
|                          | <u>\$1,209,239</u> | <u>\$832,010</u>                 | <u>\$402,104</u> | <u>\$-</u> | <u>\$-</u>   |

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Library's investments. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE B - DEPOSITS AND INVESTMENTS (Continued):***Credit Risk*

Michigan statutes authorize the Library to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Library has no investment policy that would further limit its investment choices. The Library's investments in Mutual Bond Funds are rated A1 to AAA by Moody's and the remaining investments are not subject to ratings. The Library's investments are in accordance with statutory authority.

*Concentration of Credit Risk*

The Library places no limit on the amount the Library may invest in any one issuer. There were no investments subject to the concentration of credit risk disclosure.

**NOTE C -CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2005 is as follows:

|                                       | Balance<br>July 1, 2004 | Additions        | Deletions   | Balance<br>June 30, 2005 |
|---------------------------------------|-------------------------|------------------|-------------|--------------------------|
| Capital assets not being depreciated: |                         |                  |             |                          |
| Land                                  | \$ 114,704              | \$ -             | \$ -        | \$ 114,704               |
| Capital assets being depreciated:     |                         |                  |             |                          |
| Buildings                             | 60,092                  | -                | -           | 60,092                   |
| Building improvements                 | 8,788,004               | -                | -           | 8,788,004                |
| Furniture and equipment               | <u>2,232,468</u>        | <u>-</u>         | <u>-</u>    | <u>2,232,468</u>         |
| Total Capital Assets                  | <u>11,195,268</u>       | <u>-</u>         | <u>-</u>    | <u>11,195,268</u>        |
| Less accumulated depreciation:        |                         |                  |             |                          |
| Buildings                             | 10,717                  | 1,202            |             | 11,919                   |
| Building improvements                 | 1,956,504               | 433,167          |             | 2,389,671                |
| Furniture and equipment               | <u>1,696,693</u>        | <u>76,571</u>    | <u>-</u>    | <u>1,773,264</u>         |
| Total Accumulated Depreciation        | <u>3,663,914</u>        | <u>510,940</u>   | <u>-</u>    | <u>4,174,854</u>         |
| Capital Assets, net                   | <u>\$7,531,354</u>      | <u>\$510,940</u> | <u>\$ -</u> | <u>\$7,020,414</u>       |

Total depreciation expense of \$510,940 was included in the Recreation & Culture program governmental activities.

**NOTE D - LONG-TERM DEBT:**

Changes in long-term debt during the year ended June 30, 2005 are summarized as follows:

**NOTE D – LONG-TERM DEBT (Continued):**

|   | Balance<br>June 30, 2004  | Additions              | Deductions              | Balance<br>June 30, 2005  |
|---|---------------------------|------------------------|-------------------------|---------------------------|
| 1997 General Obligation Bonds - Library Improvement | \$3,690,000               | \$-                    | \$180,000               | \$3,510,000               |
| 1998 Building Authority Bonds – Library             | 890,000                   | -                      | 205,000                 | 685,000                   |
| Accrued Compensated Absences                        | <u>75,887</u>             | <u>10,517</u>          | <u>-</u>                | <u>86,404</u>             |
| <b>TOTAL LONG-TERM DEBT</b>                         | <b><u>\$4,655,887</u></b> | <b><u>\$10,517</u></b> | <b><u>\$385,000</u></b> | <b><u>\$4,281,404</u></b> |

On December 27, 1997, the City of Marquette, Michigan, issued \$4,500,000 General Obligation Unlimited Tax Library Improvement Bonds for the purpose of defraying a portion of the cost of expanding and renovating the Peter White Public Library located in the City of Marquette. The bonds were issued pursuant to the provisions of Act 227, Public Acts of Michigan, 1985, as amended. The full faith and credit of the City of Marquette are pledged for the payment of the principal and of the interest on the bonds when due. There shall be levied upon all taxable property in the City an amount such that the estimated collections therefrom will be sufficient to pay the principal and interest on the bonds while outstanding.

On June 16, 1998, the City of Marquette Building Authority, issued \$2,000,000 Building Authority Bonds (Peter White Public Library) Series 1998 for the purpose of defraying the cost of renovating, constructing, furnishing and equipping improvements to the existing Peter White Public Library. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The bond's principal and interest are payable from lease payments required to be paid by the Library to the Building Authority pursuant to the Contract of Lease between the City and the Authority. When all of the Building Authority Bonds have been retired the Authority shall convey all rights, title, and interest to the Library.

The detail of the annual principal and interest requirements through maturity for all bonded debt outstanding as of June 30, 2005 are as follows:

| <u>Maturities</u>    | <u>1997 G.O. Bonds<br/>Library Improvement</u> | <u>1998 Building Authority<br/>Bonds – Library</u> | <u>Totals</u>      |
|----------------------|--|--|--------------------|
| Year Ending June 30: |  |  |                    |
| 2006                 | \$367,327                                      | \$248,697  | \$616,024          |
| 2007                 | 369,473  | 247,679  | 617,152            |
| 2008                 | 369,583  | 256,149  | 625,732            |
| 2009                 | 369,118  | -  | 369,118            |
| 2010                 | 367,953  | -  | 367,953            |
| 2011-2015            | 1,835,180                                      | -  | 1,835,180          |
| 2016-2018            | <u>1,125,902</u>                               | <u>-</u>   | <u>1,125,902</u>   |
|                      | 4,804,536                                      | 752,525  | 5,557,061          |
| Less Interest        | <u>(1,294,536)</u>                             | <u>(67,525)</u>                                    | <u>(1,362,061)</u> |
|                      | <u>\$3,510,000</u>                             | <u>\$685,000</u>                                   | <u>\$4,195,000</u> |

**NOTE E - UNEARNED REVENUES:**

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Library has reported unearned revenue of \$1,056,061 which relates to its portion of the City of Marquette's 2005 tax levy.

## **NOTE F - DEFINED BENEFIT PENSION PLAN:**

### ***Plan Description***

Through the City of Marquette, the Library contributes to the Michigan Municipal Employees Retirement System (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

All full-time employees of the Library are eligible to participate in the System. Benefits vest after six years for senior management and after ten years for all others. City employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, annual benefits are determined by negotiated contractual benefits within statute guidelines. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Active employees with 10 or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

### ***Funding Policy***

City employees are required to contribute five percent of their annual compensation to the System. The City pays the contribution for senior management. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

### ***Annual Pension Cost***

Funding information is not available for the Library as a separate unit. Therefore, the information given is the total of the City of Marquette and the Library. For the year ended June 30, 2005, the City's annual pension cost of \$545,201 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

**NOTE F - DEFINED BENEFIT PENSION PLAN (Continued):*****Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year trend information is as follows:

**City of Marquette, Michigan**  
**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN**  
**DEFINED BENEFIT PENSION PLAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**

| Actuarial<br>Valuation<br>Date<br><u>December 31</u> | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Entry Age<br>Actuarial<br>Accrued<br>Liability | (b-a)<br>Unfunded<br>Accrued<br>Liability<br>(UAL) | (a/b)<br>Funded<br>Ratio | (c)<br>Annual<br>Covered<br>Payroll | [(b-a)/c]<br>UAL as a<br>Percentage of<br>Covered Payroll |
|--|--|---|--|--------------------------|-------------------------------------|---|
| 1995   | \$11,393,263                           | \$11,735,154  | \$341,891  | 97%                      | \$4,590,387                         | 7 %   |
| 1996   | 12,436,500                             | 13,648,879  | 1,212,379  | 91                       | 4,717,183                           | 26  |
| 1997   | 13,630,932                             | 15,461,563  | 1,830,631  | 88                       | 4,800,223                           | 38  |
| 1998   | 15,257,550                             | 16,216,678  | 959,128  | 94                       | 5,031,270                           | 19  |
| 1999   | 16,969,765                             | 17,430,314  | 460,549  | 97                       | 4,909,541                           | 9   |
| 2000   | 18,722,203                             | 20,136,439  | 1,414,236  | 93                       | 4,803,572                           | 29  |
| 2001   | 20,056,537                             | 23,113,321  | 3,056,784  | 87                       | 5,039,800                           | 61  |
| 2002   | 20,799,934                             | 24,588,188  | 3,788,254  | 85                       | 5,227,706                           | 72  |
| 2003   | 22,629,322                             | 25,997,838  | 3,368,516  | 87                       | 5,393,986                           | 65  |
| 2004   | 24,187,555                             | 28,468,133  | 4,280,578  | 85                       | 5,426,755                           | 81  |

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| Fiscal Year<br>Ending<br><u>June 30</u> | Valuation Date<br><u>December 31</u> | Annual Pension<br>Cost (APC) | Percentage of<br>APC Contributed | Net Pension<br>Obligation |
|---|--------------------------------------|------------------------------|----------------------------------|---------------------------|
| 1996                                    | 1993                                 | \$ 40,840                    | 100.0%                           | \$ 0                      |
| 1997                                    | 1994                                 | 103,124                      | 100.0%                           | 0                         |
| 1998                                    | 1995                                 | 153,696                      | 100.0%                           | 0                         |
| 1999                                    | 1996                                 | 295,912                      | 100.0%                           | 0                         |
| 2000                                    | 1997                                 | 424,066                      | 100.0%                           | 0                         |
| 2001                                    | 1998                                 | 381,485                      | 100.0%                           | 0                         |
| 2002                                    | 1999                                 | 399,053                      | 100.0%                           | 0                         |
| 2003                                    | 2000                                 | 456,453                      | 100.0%                           | 0                         |
| 2004                                    | 2001                                 | 521,245                      | 100.0%                           | 0                         |
| 2005                                    | 2002                                 | 545,201                      | 100.0%                           | 0                         |

**NOTES TO THE REQUIRED SCHEDULES**

The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.



## Required Supplemental Information

**City of Marquette, Michigan  
Peter White Public Library**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2005

|   | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>GAAP<br/>Basis</b> | <b>Variance with<br/>Final Budget<br/>Positive (Negative)</b> |
|---|-------------------------|-------------------|----------------------------------|---|
|   | <b>Original</b>         | <b>Final</b>      |                                  |   |
| <b>REVENUES:</b>                            |                         |                   |                                  |   |
| Property taxes                              | \$ 611,600              | \$ 627,800        | \$ 629,880                       | \$ 2,080  |
| State sources                               | 35,000                  | 30,500            | 30,499                           | (1)   |
| Local sources                               | 275,000                 | 297,200           | 297,275                          | 75  |
| Charges for services                        | 40,500                  | 44,200            | 43,393                           | (807)   |
| Fines and forfeiture                        | 118,000                 | 133,000           | 135,932                          | 2,932   |
| Rentals                                     | 30,000                  | 35,000            | 27,049                           | (7,951)   |
| Contributions from private sources          | 30,000                  | 42,000            | 42,323                           | 323   |
| Investment income                           | 2,000                   | 17,000            | 17,594                           | 594   |
| Other                                       | 2,000                   | 5,310             | 5,639                            | 329   |
| <b>TOTAL REVENUES</b>                       | <b>1,144,100</b>        | <b>1,232,010</b>  | <b>1,229,584</b>                 | <b>(2,426)</b>  |
| <b>EXPENDITURES:</b>                        |                         |                   |                                  |   |
| Recreation and Culture:                     |                         |                   |                                  |   |
| Personnel services                          | 779,900                 | 788,050           | 782,209                          | 5,841   |
| Supplies                                    | 37,000                  | 70,100            | 64,294                           | 5,806   |
| Other services and charges                  | 274,800                 | 329,250           | 316,276                          | 12,974  |
| Capital outlay                              | 62,400                  | 98,575            | 87,600                           | 10,975  |
| <b>TOTAL EXPENDITURES</b>                   | <b>1,154,100</b>        | <b>1,285,975</b>  | <b>1,250,379</b>                 | <b>35,596</b>   |
| <b>NET REVENUES OVER EXPENDITURES</b>       | <b>(10,000)</b>         | <b>(53,965)</b>   | <b>(20,795)</b>                  | <b>33,170</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                         |                   |                                  |   |
| Transfers in                                | 10,000                  | 53,965            | 19,785                           | (34,180)  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> | <b>10,000</b>           | <b>53,965</b>     | <b>19,785</b>                    | <b>(34,180)</b>   |
| <b>NET CHANGE IN FUND BALANCE</b>           | <b>-</b>                | <b>-</b>          | <b>(1,010)</b>                   | <b>(1,010)</b>  |
| Fund balance, beginning of year             | 394,490                 | 394,490           | 394,490                          | -   |
| <b>FUND BALANCE, END OF YEAR</b>            | <b>\$ 394,490</b>       | <b>\$ 394,490</b> | <b>\$ 393,480</b>                | <b>\$ (1,010)</b>   |

City of Marquette, Michigan  
Peter White Public Library

CARROLL PAUL MEMORIAL TRUST FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2005

|   | <b>Budgeted Amounts</b> |                   | <b>Actual</b>     | <b>Variance with</b>       |
|---|-------------------------|-------------------|-------------------|----------------------------|
|   | <b>Original</b>         | <b>Final</b>      | <b>GAAP</b>       | <b>Final Budget</b>        |
|   |                         |                   | <b>Basis</b>      | <b>Positive (Negative)</b> |
| <b>REVENUES:</b>                            |                         |                   |                   |                            |
| Investment income                           | \$ 28,000               | \$ 28,000         | \$ 49,225         | \$ 21,225                  |
| Other                                       | -                       | -                 | -                 | -                          |
| <b>TOTAL REVENUES</b>                       | <u>28,000</u>           | <u>28,000</u>     | <u>49,225</u>     | <u>21,225</u>              |
| <b>EXPENDITURES:</b>                        |                         |                   |                   |                            |
| Recreation and Culture:                     |                         |                   |                   |                            |
| Musical supplies and services               | 28,000                  | 28,000            | 2,830             | 25,170                     |
| Other services and charges                  | -                       | -                 | 2,239             | (2,239)                    |
| <b>TOTAL EXPENDITURES</b>                   | <u>28,000</u>           | <u>28,000</u>     | <u>5,069</u>      | <u>22,931</u>              |
| <b>NET REVENUES OVER EXPENDITURES</b>       | -                       | -                 | 44,156            | 44,156                     |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                         |                   |                   |                            |
| Transfers Out                               | -                       | -                 | (19,785)          | (19,785)                   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> | <u>-</u>                | <u>-</u>          | <u>(19,785)</u>   | <u>(19,785)</u>            |
| <b>NET CHANGES IN FUND BALANCE</b>          | -                       | -                 | 24,371            | 24,371                     |
| Fund balance, beginning of year             | 739,604                 | 739,604           | 739,604           | -                          |
| <b>FUND BALANCE, END OF YEAR</b>            | <u>\$ 739,604</u>       | <u>\$ 739,604</u> | <u>\$ 763,975</u> | <u>\$ 44,156</u>           |

## Other Supplemental Information

**City of Marquette, Michigan  
Peter White Public Library**

**1997 LIBRARY IMPROVEMENT DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

|                                   | <u>Final<br/>Budget</u> | <u>Actual<br/>GAAP<br/>Basis</u> | <u>Variance with<br/>Final Budget<br/>Positive (Negative)</u> |
|-----------------------------------|-------------------------|----------------------------------|---|
| <b>REVENUES:</b>                  |                         |                                  |   |
| Property taxes                    | \$ 368,005              | \$ 364,373                       | \$ (3,632)  |
| Other                             | -                       | -                                | -   |
| <b>TOTAL REVENUES</b>             | <u>368,005</u>          | <u>364,373</u>                   | <u>(3,632)</u>  |
| <b>EXPENDITURES:</b>              |                         |                                  |   |
| Debt Service:                     |                         |                                  |   |
| Principal                         | 180,000                 | 180,000                          | -   |
| Interest and fiscal charges       | <u>188,005</u>          | <u>188,001</u>                   | <u>4</u>  |
| <b>TOTAL EXPENDITURES</b>         | <u>368,005</u>          | <u>368,001</u>                   | <u>4</u>  |
| <b>NET CHANGE IN FUND BALANCE</b> | -                       | (3,628)                          | (3,628)   |
| Fund balance, beginning of year   | <u>6,779</u>            | <u>6,779</u>                     | <u>-</u>  |
| <b>FUND BALANCE, END OF YEAR</b>  | <u><u>\$ 6,779</u></u>  | <u><u>\$ 3,151</u></u>           | <u><u>\$ (3,628)</u></u>                                      |

**City of Marquette, Michigan  
Peter White Public Library**

1998 BUILDING AUTHORITY DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2005

|                                   | <u>Final<br/>Budget</u> | <u>Actual<br/>GAAP<br/>Basis</u> | <u>Variance with<br/>Final Budget<br/>Positive (Negative)</u> |
|-----------------------------------|-------------------------|----------------------------------|---|
| <b>REVENUES:</b>                  |                         |                                  |   |
| Private sources                   | \$ -                    | \$ 3,553                         | \$ 3,553  |
| Investment income                 | 12,000                  | 19,335                           | 7,335   |
| Other                             | -                       | -                                | -   |
|                                   | <u>-</u>                | <u>-</u>                         | <u>-</u>  |
| <b>TOTAL REVENUES</b>             | <u>12,000</u>           | <u>22,888</u>                    | <u>10,888</u>   |
| <b>EXPENDITURES:</b>              |                         |                                  |   |
| Debt Service:                     |                         |                                  |   |
| Contingencies                     | -                       | -                                | -   |
| Principal                         | 205,000                 | 205,000                          | -   |
| Interest and fiscal charges       | 44,155                  | 44,153                           | 2   |
|                                   | <u>249,155</u>          | <u>249,153</u>                   | <u>2</u>  |
| <b>TOTAL EXPENDITURES</b>         | <u>249,155</u>          | <u>249,153</u>                   | <u>2</u>  |
| <b>NET CHANGE IN FUND BALANCE</b> | (237,155)               | (226,265)                        | 10,890  |
| Fund balance, beginning of year   | <u>662,202</u>          | <u>662,202</u>                   | <u>-</u>  |
| <b>FUND BALANCE, END OF YEAR</b>  | <u>\$ 425,047</u>       | <u>\$ 435,937</u>                | <u>\$ 10,890</u>  |

## **COMPLIANCE SUPPLEMENT**



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Trustees  
of Peter White Public Library  
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities and each major fund of the Peter White Public Library as of and for the year ended June 30, 2005, which collectively comprise the Peter White Public Library's basic financial statements, and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Peter White Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Peter White Public Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Peter White Public Library in a separate letter dated November 18, 2005.

This report is intended solely for the information and use of management, others within the organization, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

November 18, 2005





# ANDERSON, TACKMAN & COMPANY, P.L.C.

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November 18, 2005

To the Members of the Board of Trustees  
of Peter White Public Library  
City of Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the Peter White Public Library for the year ended June 30, 2005, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure for which we feel consideration should be given.

### Other Comments and Recommendations

The Library has a separate bank account operating as a sweep account for the purpose of recording customer credit card transactions until the funds are transferred to the Library's general bank account through the City financial system. The balance in this account is immaterial; however, the account is not being recorded on the Library's general ledger. We recommend a separate general ledger account be established to record the balance in this account at the end of each month.

The Library is also holding funds for another organization for the purpose of the "Need to Read" program. The Library is only acting as a fiduciary agent for this organization and the funds being held are immaterial. We recommend a separate asset and liability account be established on the Library's general ledger to report the balance of the funds held on behalf of this organization.

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This report is intended solely for the information and use of the Library's management, and others within the City of Marquette's Administration.

We appreciate and would like to thank the Library's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants